

FISCAL NOTE

HB 40 SECOND EXTRAORDINARY SESSION

November 10, 1999

SUMMARY OF BILL: Increases the privilege tax on cigarettes from 13 cents per pack of twenty cigarettes to 25 cents per pack of twenty cigarettes. Increases the privilege tax on other tobacco products from 6% of the wholesale price to 11.5% of the wholesale price. Additional revenue generated by the bill would be earmarked for the sole purpose of funding the TennCare Program.

ESTIMATED FISCAL IMPACT:

Increase State Revenues - \$71,166,180

Increase State Expenditures - \$50,000 One-Time

Estimate assumes the following:

- Approximately 612,000,000 packs of cigarettes were sold last year.
- A decrease in sales of approximately 30,600,000 packs due to the increased tax.
- Cigarettes are sold in packs of twenty.
- The tax base for other tobacco products is approximately \$109,161,017.
- A decrease in sales of other tobacco products of approximately \$5,458,051 due to the increased tax.
- A one-time increase in state expenditures of \$50,000 resulting from MIS system implementation costs.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director